

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code	320759
<015> Study Area Name	DAVIESS-MARTIN/RTC
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Stephen Bartlett
<035> Contact Telephone Number: Number of the person identified in data line <030>	812-486-3211
<039> Contact Email Address: Email of the person identified in data line <030>	sbartlett@rtccom.com

ANNUAL REPORTING FOR ALL CARRIERS			54.313 Completion Required	54.422 Completion Required
(check box when complete)				
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report				
<300> Unfulfilled Service Requests (voice)	0	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<310> Detail on Attempts (voice)	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<330> Detail on Attempts (broadband)	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed	0.0			
<420> Mobile	0.0			
<430> Number of Complaints per 1,000 customers (broadband)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<440> Fixed				
<450> Mobile				
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> 320759IN510	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> 320759IN610	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input type="radio"/> <input checked="" type="radio"/>	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<1000> Voice Services Rate Comparability	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<1010>	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<1110>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(100) Service Quality Improvement Reporting Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<110>	Has your company received its ETC certification from the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
<111>	If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113> Maps detailing progress towards meeting plan targets	<input type="checkbox"/>	
<114> Report how much universal service (USF) support was received	<input type="checkbox"/>	
<115> How (USF) was used to improve service quality	<input type="checkbox"/>	
<116> How (USF) was used to improve service coverage	<input type="checkbox"/>	
<117> How (USF) was used to improve service capacity	<input type="checkbox"/>	
<118> Provide an explanation of network improvement targets not met in the prior calendar year.	<input type="checkbox"/>	

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[illegible]

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<701>	Residential Local Service Charge Effective Date	1/1/2013
<702>	Single State-wide Residential Local Service Charge	

[illegible]

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-- See attached	
worksheet --	

[illegible]

**(900) Tribal Lands Reporting
Data Collection Form**

FCC Form 481
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<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes,No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions;
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select (Yes,No, NA)

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

 FCC Form 481
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Please check this box to confirm no terrestrial backhaul
 <1120> options exist within the supported area pursuant to § 54.313(G)

☐

Please check this box to confirm the reporting carrier offers
 <1130> broadband service of at least 1 Mbps downstream and 256 kbps
 upstream within the supported area pursuant to § 54.313(G)

☐

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

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<1210> Terms & Conditions of Voice Telephony Lifeline Plans 320759IN1200
 Name of attached document (.pdf)

<1220> Link to Public Website HTTP

"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒

<1222> Details on the number of minutes provided as part of the plan, ☒

<1223> Additional charges for toll calls, and rates for each such plan. ☒

(2000) Price Cap Carrier Additional Documentation

FCC Form 481

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

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CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

- <2010> 2nd Year Certification {47 CFR § 54.313(b)(1)}
- <2011> 3rd Year Certification {47 CFR § 54.313(b)(2)}

☐
☐
Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}

- <2012> 2013 Frozen Support Certification
- <2013> 2014 Frozen Support Certification
- <2014> 2015 Frozen Support Certification
- <2015> 2016 and future Frozen Support Certification

☐
☐
☐
☐
Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

- <2016> Certification Support Used to Build Broadband

☐
Connect America Phase II Reporting {47 CFR § 54.313(e)}

- <2017> 3rd year Broadband Service Certification
- <2018> 5th year Broadband Service Certification
- <2019> Interim Progress Certification
- <2020> Please check the box to confirm that the attached PDF, on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

☐
☐
☐
☐

- <2021> Interim Progress Community Anchor Institutions

Name of Attached Document Listing Required Information

(3000) Rate Of Return Carrier Additional Documentation	FCC Form 481
Data Collection Form	OMB Control No. 3060-0986/OMB Control No. 3060-0819
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CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

Progress Report on 5 Year Plan

(3010)	Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF, on line 3012, contains the required information pursuant to § 54.313(f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	Name of Attached Document Listing Required Information	<input type="checkbox"/>
(3012)	Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))	Name of Attached Document Listing Required Information	<input checked="" type="checkbox"/> (Yes/No)
(3013)	Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))		<input type="checkbox"/> (Yes/No)
(3014)	If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:		<input type="checkbox"/>
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	<input checked="" type="checkbox"/> (Yes/No)
(3018)	If the response is no on line 3014, is your company audited? If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:		<input checked="" type="checkbox"/>
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications		<input checked="" type="checkbox"/>
(3020)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter issued by the independent certified public accountant that performed the company's financial audit. If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:		<input type="checkbox"/>
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	320759IN3026

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**Certification - Agent / Carrier
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TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Stephen Bartlett</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	<u>Stephen Bartlett</u>
Name of Reporting Carrier:	<u>DAVISS-MARTIN/RTC</u>
Signature of Authorized Officer:	<u>CERTIFIED ONLINE</u> Date: <u>10/03/2013</u>
Printed name of Authorized Officer:	<u>Stephen Bartlett</u>
Title or position of Authorized Officer:	<u>EVP</u>
Telephone number of Authorized Officer:	<u>812-486-3211</u>
Study Area Code of Reporting Carrier:	<u>320759</u> Filing Due Date for this form: <u>10/15/2013</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	<u>DAVISS-MARTIN/RTC</u>
Name of Authorized Agent or Employee of Agent:	<u>Gina Roney</u>
Signature of Authorized Agent or Employee of Agent:	<u>CERTIFIED ONLINE</u> Date: <u>10/03/2013</u>
Printed name of Authorized Agent or Employee of Agent:	<u>Gina Roney</u>
Title or position of Authorized Agent or Employee of Agent:	<u>Sr Financial Consultant</u>
Telephone number of Authorized Agent or Employee of Agent:	<u>719-266-4334</u>
Study Area Code of Reporting Carrier:	<u>320759</u> Filing Due Date for this form: <u>10/15/2013</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

(510) Service Quality Standards & Consumer Protection Rules Compliance Procedures

Form 481

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Service Quality Standards

The Indiana Utility Regulatory Commission has repealed all applicable service quality standards, including the following:

- o 170 Indiana Administrative Code (IAC) 7-1.1-6 Design and construction of plant and facilities; safety standards
- o 170 IAC 7-1.1-11 Service standards
- o 170 IAC 7-1.2-14 Adequacy of service
- o 170 IAC 7-1.2-15 Transmission requirements
- o 170 IAC 7-1.2-16 Answering times

Consumer Protection Rules

The company complies with the following consumer protection rules:

- o FCC rules regarding verification of orders for telecommunications service as required of submitting carriers {47 CFR §64.1100}
- o 170 IAC 7-1.1-19: Unauthorized switching of telecommunications providers; billing for telecommunications or other services added without customer's consent
- o 170 IAC 7-1.3-1: Communications Customer Service Rights and Responsibilities
- o The FCC's Truth-in-Billing Requirements {47 CFR §64.2400}
- o All of the requirements of 47 C.F.R. § Part 64 Subpart U, Customer Proprietary Network Information and Federal Trade Commission 16 C.F.R. §681, Identity Theft Red Flags

(610) Functionality in Emergency Situation Procedures

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Functionality in Emergency Situations

The company maintains a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations. {47 CFR §54.202(a)}

The company has made reasonable provisions to meet emergencies resulting from commercial electrical failure and sudden, prolonged increases in traffic. These provisions include instructing employees on proper procedure in emergencies and deploying emergency power generating equipment and battery back-up. {170 IAC 7-1.2-18:



Davies-Martin Rural Telephone Corp. dba

RTC COMMUNICATIONS

www.rtccom.net

Lifeline Assistance is a government assistance program sponsored by the FCC to reduce rates for primary residential telephone service to qualifying subscribers who receive income-based benefits.

Lifeline subscribers may receive unlimited local calling at a discount of \$9.25.

Eligible customers may obtain Toll Blocking or Limited Toll Blocking free of charge. The Company's voice lifeline plan does not include any free minutes of use for toll. Eligible customers that elect to take Toll Blocking will not be required to pay a service deposit.

Limitations:

- ✓ The discounts are applicable only on the end user's principal residence line.
- ✓ One discount per household for eligible participants is allowed. Discount is applicable towards primary residential connections only. The telephone service must be listed in your name. A household is everyone who lives together at your address as one economic unit.
- ✓ Service is non-transferable.

Eligibility Requirements:

- ✓ Participant must be verified eligible prior to participation.
- ✓ With income at or below 135% of the Federal Poverty Guidelines.
- ✓ Participating in any of the following programs: Medicaid, Supplemental Nutrition Assistance Program (f.k.a. Food Stamps), Supplemental Security Income (SSI), Federal Public Housing Assistance (Section 8), Low-Income Home Energy Assistance Program (LIHEAP), National School Lunch Program's free lunch program, and Temporary Assistance for Needy Families .
- ✓ Lifeline subscribers must re-certify eligibility each year.
- ✓ To determine if you are eligible, please contact the business office at (812) 486-3211.

The Link Up support has been eliminated of April 1, 2012.



317-257-1540
FAX: 317-257-1544
www.klpcpa.com
6296 Rucker Road, Suite G
Indianapolis, IN 46220

To the Board of Directors
Daviess-Martin County Rural
Telephone Corporation

Independent Auditor's Report

We have audited the accompanying balance sheets of Daviess-Martin County Rural Telephone Corporation as of September 30, 2012 and 2011, and the related statements of revenues and expenses, changes in capital, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daviess-Martin County Rural Telephone Corporation as of September 30, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kehlenbrink, Lawrence & Pauckner

December 17, 2012

Daviess-Martin County Rural Telephone Corporation

Balance Sheets

Assets	September 30, 2012	September 30, 2011
Current Assets		
Cash and cash equivalents	\$ 1,964,236	\$ 1,799,185
Marketable securities - at cost	652,813	1,095,036
Accounts receivable, net of allowance for uncollectible of \$5,000 and \$6,000	373,158	404,162
Materials and supplies	144,707	174,388
Other current assets	68,602	62,580
Total current assets	<u>3,203,516</u>	<u>3,535,351</u>
Other Assets		
Marketable securities - at cost	1,226,614	1,392,201
Investment in Indiana Fiber Network, LLC - equity basis	2,684,831	2,398,897
Investment in Indiana Video Network, LLC - equity basis	71,057	82,535
Other investments	67,696	74,891
Deferred income tax	103,093	103,093
Other assets	139,133	149,106
Total other assets	<u>4,292,424</u>	<u>4,200,723</u>
Property and Equipment		
In service	29,626,029	28,109,928
Under construction	1,260,644	403,750
Total property and equipment	30,886,673	28,513,678
Less - Accumulated depreciation	<u>(16,050,369)</u>	<u>(15,147,456)</u>
	<u>14,836,304</u>	<u>13,366,222</u>
Total Assets	<u><u>\$ 22,332,244</u></u>	<u><u>\$ 21,102,296</u></u>

The accompanying notes are an integral part of the financial statements.

Davieess-Martin County Rural Telephone Corporation

Balance Sheets

Liabilities and Members' Equity	September 30, 2012	September 30, 2011
Current Liabilities		
Accounts payable	\$ 749,795	\$ 414,054
Customer deposits	25,735	29,060
Accrued expenses	154,837	144,580
Accrued income taxes	5,766	-
Other accrued taxes	263,125	264,108
Unearned internet revenue	1,000	1,000
Total current liabilities	<u>1,200,258</u>	<u>852,802</u>
Noncurrent Liabilities		
Retirement benefit	<u>88,699</u>	<u>83,905</u>
Total noncurrent liabilities	<u>88,699</u>	<u>83,905</u>
Members' Equity and Margins		
Memberships	74,410	74,410
Patronage capital	5,070,003	4,660,918
Retained earnings	<u>15,898,874</u>	<u>15,430,261</u>
Total members' equity	<u>21,043,287</u>	<u>20,165,589</u>
Total Liabilities and Members' Equity	<u><u>\$ 22,332,244</u></u>	<u><u>\$ 21,102,296</u></u>

The accompanying notes are an integral part of the financial statements.

Daviess-Martin County Rural Telephone Corporation

Statements of Revenues and Expenses

	For The Years Ended	
	September 30, 2012	September 30, 2011
Operating Revenues		
Local network services	\$ 736,409	\$ 743,982
Network access services	4,279,019	4,310,904
Long distance services	188,769	206,408
Internet access services	862,893	875,557
Video services	336,017	297,078
Other non-regulated services	274,148	268,240
Miscellaneous revenues	136,945	192,420
Total operating revenues	6,814,200	6,894,589
Operating Expenses		
Maintenance	1,217,097	1,225,453
Plant nonspecific operations	275,169	241,433
Customer operations	440,532	468,953
Corporate operations	829,766	806,964
Long distance	179,725	197,882
Internet	628,566	713,511
Video	383,530	373,787
Other non-regulated	278,969	237,344
Depreciation	1,423,064	1,394,863
Operating taxes	199,136	202,173
Total operating expenses	5,855,554	5,862,363
Net operating margin	958,646	1,032,226
Other Margins		
Loss on sale of investments	-	(1,706)
Interest and dividend income	50,885	44,741
Patronage income	23,424	5,248
Equity income of investees	267,106	264,713
Margins before interest and income taxes	1,300,061	1,345,222
Interest Expense	(474)	(26,290)
Margins before income taxes	1,299,587	1,318,932
Income Tax Expense	(5,766)	-
Net Margin	\$ 1,293,821	\$ 1,318,932

The accompanying notes are an integral part of the financial statements.

Daviess-Martin County Rural Telephone Corporation

Statements of Cash Flows

	For The Years Ended	
	September 30, 2012	September 30, 2011
Operating Activities		
Net margin	\$ 1,293,821	\$ 1,318,932
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation	1,423,064	1,394,863
Equity and patronage income from investments	(298,543)	(265,095)
Gain on sale of securities	(4,964)	-
Changes in operating assets and liabilities:		
Accounts receivable	31,004	(42,536)
Materials and supplies	29,681	(43,463)
Other assets	3,951	(66,295)
Accounts payable	335,741	278,210
Accrued and other liabilities	16,509	36,406
Net Cash Provided by Operating Activities	<u>2,830,264</u>	<u>2,611,022</u>
Investing Activities		
Purchase of property, plant and equipment, net of salvage and cost of removal	(2,893,146)	(1,113,700)
Proceeds from sale and maturity of investments	1,382,310	505,440
Purchase of investments	(738,254)	(1,178,526)
Net Cash Used in Investing Activities	<u>(2,249,090)</u>	<u>(1,786,786)</u>
Financing Activities		
Repayment of note payable	-	(350,000)
Retirement of capital credits and memberships	(416,123)	(404,406)
Net Cash Used in Financing Activities	<u>(416,123)</u>	<u>(754,406)</u>
Increase in Cash and Cash Equivalents	165,051	69,830
Cash and Cash Equivalents at Beginning of Year	<u>1,799,185</u>	<u>1,729,355</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,964,236</u></u>	<u><u>\$ 1,799,185</u></u>

The accompanying notes are an integral part of the financial statements.

Daviess-Martin County Rural Telephone Corporation

Notes to Financial Statements September 30, 2012

Note 1 - Significant Accounting Policies

General Description of Business

Daviess-Martin County Rural Telephone Corporation, Inc. is an independent rural telephone corporation which provides telecommunications service, internet service, and video service to the Daviess, Martin and Lawrence County areas of Indiana. The Corporation also provides access services to interexchange carriers who sell long distance telephone service to their customers.

Significant Accounting Policies

The accounting policies of the Corporation conform to generally accepted accounting principles and reflect practices appropriate to the telephone industry. The accounting records of the Corporation are maintained in accordance with the uniform system of accounts prescribed by the Federal Communications Commission.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Corporation's financial statements include significant estimates related to composite depreciation rates, certain service revenues earned but not billed and interstate access revenues that are subject to future adjustment upon final settlement of revenue pools administered by the National Exchange Carrier Association (NECA).

Property and Equipment

Telecommunications plant is stated at original cost and includes expenditures for items which substantially increase the useful lives of the property, building and equipment. Renewals and betterments of units of property are charged to telephone plant in service. The original cost of depreciable property retired, together with removal cost less any salvage realized, is charged to accumulated depreciation. No gain or loss is recognized in connection with ordinary retirements of depreciable property. Maintenance, repairs and minor renewals are expensed as incurred.

Depreciation on telephone plant is computed by the use of the straight-line method which is estimated to allocate the cost of depreciable plant equally over its estimated service life. The annual composite rate was 4.9% and 5.1% in the years ended in 2012 and 2011, respectively. Depreciation expense totaled \$1,423,064 and \$1,394,863 for the years ended in 2012 and 2011, respectively.

Materials and Supplies

Materials and supplies are carried at the lower of cost (average cost) or market.

Daviess-Martin County Rural Telephone Corporation

Notes to Financial Statements

September 30, 2012

Note 1 - Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments, which potentially subject the Corporation to concentrations of credit risk, consist principally of cash, cash equivalents and accounts receivable. At times, cash in banks are in excess of the FDIC insurance limit, which is \$250,000 for interest bearing accounts. Non-interest bearing accounts are fully insured by FDIC. As of September 30, 2012, the Corporation's uninsured cash balance totaled \$212,093. Credit risk associated with cash and cash equivalents is minimized by using high quality financial institutions. Receivables from long distance carriers and NECA as of September 30, 2012 were unsecured and totaled \$293,840.

Revenues

All revenues are recognized in the period in which they are earned regardless of the period in which they are billed.

Compensation for interstate access services is received through tariffed access charges filed by NECA with the Federal Communications Commission (FCC) on behalf of the member companies. These access charges are billed by the Company to the interstate interexchange carriers, and pooled with like revenues from all NECA member companies. The portion of the pooled access charge revenue received by the Corporation is based upon the cost of providing interstate access service, plus a return on the investment dedicated to providing that service.

Compensation for intrastate access services is received through tariffed access charges filed with the Indiana Utility Regulatory Commission (IURC). These access charges are billed to the intrastate long distance toll carriers.

Accounts Receivable

Accounts receivable from customers are carried at their estimated collectible amounts. The Corporation establishes an allowance for possible losses on accounts receivable, when necessary, based upon factors surrounding the credit risk of specific customers, historical trends and other information. Credit is generally extended on a short-term basis; thus receivables do not bear interest, although a late payment charge may be applied to such receivables that are more than 30 days past due. The Corporation attempts to minimize accounts receivable risk by reviewing customer credit history before extending credit and by monitoring customers' credit exposure on a continuing basis.

Cash Flows

For purposes of the statement of cash flows, cash equivalents are considered to be all highly liquid investments purchased with an original maturity of three months or less. The Corporation paid interest of \$474 and \$22,376 and income taxes of \$-0- and \$-0- in the years ended in 2012 and 2011, respectively.

Daviess-Martin County Rural Telephone Corporation

Notes to Financial Statements

September 30, 2012

Note 1 - Significant Accounting Policies (Continued)

Reclassifications

Certain amounts reported for 2011 have been reclassified to conform to the 2012 presentation. These reclassifications had no impact on previously reported net margin or equity.

Note 2 - Investments in Marketable Securities

Securities investments that the Corporation has the positive intent and ability to hold to maturity are classified as held-to-maturity and recorded at amortized cost. All marketable securities have been classified as held-to-maturity. Gains and losses on disposition of securities are computed by the specific identification method. Investments in securities are summarized as follows:

	Fair Value	Cost	Gross Unrealized Gain (Loss)
<u>Investments held-to-maturity - September 2012</u>			
U.S. Govt. and Govt. Agency Securities			
Maturing in one to five years	\$ 91,033	78,426	12,607
Maturing in six or more years	5,485	5,150	335
Corporate Bonds			
Maturing within one year - gains	98,405	93,795	4,610
Maturing within one year - losses	306,055	309,013	(2,958)
Maturing in one to five years - gains	674,613	643,033	31,580
Maturing in one to five years - losses	244,726	250,000	(5,274)
Certificates of Deposit			
Maturing within one year	250,405	250,005	400
Maturing in one to five years	252,425	250,005	2,420
	<u>\$ 1,923,147</u>	<u>\$ 1,879,427</u>	<u>\$ 43,720</u>

Investments held-to-maturity - September 2011

U.S. Govt. and Govt. Agency Securities			
Maturing in one to five years	\$ 84,398	80,502	3,896
Maturing in six or more years	6,579	6,178	401
Corporate Bonds			
Maturing within one year	98,128	95,011	3,117
Maturing in one to five years	785,313	805,511	(20,198)
Certificates of Deposit			
Maturing within one year	1,003,948	1,000,025	3,923
Maturing in one to five years	501,013	500,010	1,003
	<u>\$ 2,479,379</u>	<u>\$ 2,487,237</u>	<u>\$ (7,858)</u>

Daviess-Martin County Rural Telephone Corporation

Notes to Financial Statements

September 30, 2012

Note 3 – Investment - Indiana Fiber Network, LLC

The Corporation has recorded an investment of \$2,684,831 and \$2,398,897 for a minority interest in Indiana Fiber Network, LLC (IFN) (a limited liability company) as of September 30, 2012 and 2011, respectively. IFN owns and maintains a fiber-optic cable network located throughout the state of Indiana. The investors consist of twenty independent telephone companies located in Indiana. The Corporation paid IFN \$114,361 and \$121,137 for services during the fiscal years ended September 30, 2012 and 2011, respectively. The Corporation received \$29,615 and \$29,615 in rents from IFN for the lease of equipment during the fiscal years ended September 30, 2012 and 2011, respectively.

The Corporation's 12.42% investment in IFN is accounted for under the equity method because the Corporation exercises significant influence over its operating and financial activities. Under the equity method of accounting the investment is carried at cost, adjusted for the Corporation's proportionate share of undistributed earnings or losses.

Following is a summary of the financial position of IFN as of:

	September 30, <u>2012</u>	December 31, <u>2011</u>
Current assets	\$ 4,731,599	\$ 3,467,732
Property, plant and equipment, net	42,048,428	39,359,095
Other assets	<u>61,776</u>	<u>62,720</u>
Total assets	<u>\$46,841,803</u>	<u>\$42,889,547</u>
Current liabilities	\$13,633,248	\$ 9,338,714
Long-term debt	<u>10,959,213</u>	<u>12,995,268</u>
	<u>24,592,461</u>	<u>22,333,982</u>
Members' equity	<u>22,249,342</u>	<u>20,555,565</u>
Total liabilities and members' equity	<u>\$46,841,803</u>	<u>\$42,889,547</u>
Sales:		
For the nine months ended	\$13,307,321	
For the year ended		\$15,882,930
Net Income:		
For the nine months ended	\$1,693,778	
For the year ended		\$2,298,366

Daviess-Martin County Rural Telephone Corporation

Notes to Financial Statements September 30, 2012

Note 4 - Investment - Indiana Video Network, LLC

The Corporation has recorded an investment of \$71,057 and \$82,535 for a minority interest in Indiana Video Network, LLC (IVN) (a limited liability company) as of September 30, 2012 and 2011, respectively. The purpose of this company is to provide video signals to its investors at cost. The investors consist of eight independent telephone companies located in Indiana. The Corporation paid IVN \$24,000 and \$24,000 to cover maintenance costs during the fiscal years ended September 30, 2012 and 2011, respectively. It also contributed \$8,000 of additional capital in 2012.

The Corporation's 12.5% investment in IVN is accounted for under the equity method because the Corporation exercises significant influence over its operating and financial activities. Under the equity method of accounting the investment is carried at cost, adjusted for the Corporation's proportionate share of undistributed earnings or losses.

Following is a summary of financial position and results of operations of IVN as of:

	September 30, 2012	December 31, 2011
Current assets	\$ 41,807	\$ 103,925
Property, plant and equipment	528,321	548,520
Total assets	<u>\$ 570,128</u>	<u>\$ 652,445</u>
Current liabilities	\$ 17,672	\$ 35,373
Members' equity	552,456	617,072
Total liabilities and members' equity	<u>\$ 570,128</u>	<u>\$ 652,445</u>
Sales:		
For the nine months ended	\$ 108,000	
For the year ended		\$ 158,000
Net Loss:		
For the nine months ended	\$ (112,615)	
For the year ended		\$ (169,035)

Daviess-Martin County Rural Telephone Corporation

Notes to Financial Statements

September 30, 2012

Note 5 – Investment in Daviess-Martin WildBlue

On July 1, 2005, the Corporation formed a joint venture partnership with a local REMC to sell WildBlue services and to work jointly on contract sales projects. The Corporation's 50% investment in Daviess-Martin WildBlue is accounted for under the equity method. Under the equity method of accounting, the investment is carried at cost, adjusted for the Corporation's proportionate share of undistributed earnings or losses. At September 30, 2012 and 2011, Daviess-Martin WildBlue is recorded as a component of Other investments at \$16,373 and \$15,723, respectively. Daviess-Martin Wild Blue paid the Corporation \$5,221 and \$9,001 to reimburse them for labor and expense of installation for the years ended September 30, 2012 and 2011, respectively. The Corporation, as of September 30, 2012, had amounts receivable from Daviess-Martin WildBlue of \$849.

Note 6 – Property and Equipment

Property and equipment at September 30, 2012 and 2011 consisted of the following:

	2012		2011	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 56,481	\$ -	\$ 56,481	\$ -
Building	2,407,791	931,328	2,407,791	859,094
Office equipment	549,332	549,332	549,332	544,932
Vehicles and equipment	901,623	901,623	881,868	881,868
Plant equipment	25,710,802	13,668,086	24,214,456	12,861,562
In service	29,626,029	16,050,369	28,109,928	15,147,456
Under construction	1,260,644	-	403,750	-
	<u>\$ 30,886,673</u>	<u>\$ 16,050,369</u>	<u>\$ 28,513,678</u>	<u>\$ 15,147,456</u>

Note 7 - Income Taxes

The Corporation is exempt from federal and state income tax on patronage sourced income. Net income from nonpatronage activities is subject to income tax at the statutory rates. There was no income tax expense for the year ended September 30, 2011. For the year ended September 30, 2012, there was no federal income tax expense but there was current state income tax expense of \$5,766. The Corporation is not subject to examination by federal or Indiana tax authorities for any year ending prior to 2009.

The effective tax rate is lower than the statutory tax rate primarily because taxable income excludes patronage income of the Corporation. The Corporation has deferred tax assets related to alternative minimum tax credits and operating loss carryforwards. A valuation allowance of \$173,533 has been recognized as of September 30, 2012 on the most recent operating losses due to the unlikelihood that the Corporation will fully utilize them. The valuation allowance was increased by \$11,741 over the September 30, 2011 valuation allowance of \$161,792.

Daviess-Martin County Rural Telephone Corporation

Notes to Financial Statements September 30, 2012

Note 7 - Income Taxes (Continued)

The Corporation has available at September 30, 2012, unused federal operating loss carryforwards that may be applied against future taxable income and that expire as follows:

<u>Amount of Unused Operating Loss Carryforwards</u>	<u>Expiration During Year Ended September 30</u>
\$ 23,797	2024
220,993	2025
265,391	2026
250,466	2027
121,228	2028
139,716	2029
17,035	2030
70,059	2031
<u>43,669</u>	2032
<u>\$ 1,152,354</u>	

Note 8 – Employee Benefit Plans

The Corporation participates in a multi-employer defined benefit pension plan covering substantially all of its employees. Pension costs were \$188,535 and \$190,190 for the years ended September 30, 2012 and 2011, respectively. The Corporation makes quarterly contributions to the plan in amounts equal to the pension expense.

The Corporation has a discretionary profit-sharing plan covering substantially all of its employees. Profit sharing plan costs were \$28,849 and \$28,435 for the years ended September 30, 2012 and 2011, respectively.

Note 9 – Patronage Capital Credits

The Corporation operates on a cooperative non-profit basis for the benefit of its members. As such, amounts received from providing telecommunications and information services in excess of the costs to provide those services are considered capital contributions and allocated to members in the form of patronage capital credits. Patronage capital credits are retired at the discretion of the Board of Directors.

Daviess-Martin County Rural Telephone Corporation

Notes to Financial Statements

September 30, 2012

Note 10 – Related Party Transactions

The Corporation is a member of Indiana SONET Ring Pooling Association, Inc. (ISRPA) which is a nonprofit mutual benefit organization that provides fiber optic communications capabilities to local, rural areas. The Corporation paid \$128,297 and \$154,290 to ISRPA for the years ended September 30, 2012 and 2011.

Note 11 – Subsequent Events

Subsequent events have been evaluated through the date the financial statements were available to be issued, which was December 17, 2012.